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6

The Role of Business Knowledge in the Internationalisation Process of Hungarian Corporations

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Summary:

The aim of this paper is to identify the knowledge elements that are crucial in the internationalisation process of Hungarian firms. It uses a two-dimensional model of business knowledge, which separates business knowledge along two dimensions: the tacit or explicit nature; and the codified or uncodified one. This model tells us that tacit and codified knowledge is the most difficult to transfer, while the explicit-uncodified part is the easiest. The five types of business knowledge were measured with a questionnaire. It is non-representative, filled in by 104 Hungarian firms among which the larger and more internationalised ones are overrepresented. Based on this non-representative sample we have found that the organisational beliefs and habits, and the competence of the employees are the two business knowledge elements that are most closely associated with the internationalisation of the firms. This makes it especially difficult to promote internationalisation through the transfer of knowledge, because these key knowledge elements are the stickiest, the hardest to transfer.

Keywords: Internationalisation, business knowledge
JEL classification: M16, L20, L21

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6.1. INTRODUCTORY REMARKS

Government support to smaller or larger local corporations is a standard structural policy instrument in the Visegrad countries. The support can come as a direct subsidy (for creating extra jobs, engaging in innovation, exporting goods etc.), or it can come in some indirect form as well (providing key infrastructure, information, consultancy services etc.). Apart from the fact that standard economic models discourage from the use of any form of government subsidy (with the small exception of market failure remedies) as they claim that such transfers inevitably distorts efficiency, deciding on the correct form of government support is a major economic policy dilemma. The dilemma is related to the question of whether it is resources (capital, energy), infrastructure (financial, transportation, telecommunication) or information and knowledge (qualified labour, market information, experience) that are in the scarcest supply.

This chapter focuses on the latter part, namely business knowledge. Using the Hungarian results of the V4 Survey (CZ, HU, PL, SK) obtained through the support of IVF Standard Grant no. 21310034 (Duréndez & Wach, 2014) we identify which knowledge elements are most closely related to the international activities of the surveyed firms. The pattern uncovered can be used to determine the areas which government sponsored consultancy services should concentrate at. As, depending on the stickiness, business knowledge can be rather easy but also extremely difficult to transfer, our research can enlighten why some consultancy efforts seem to lack efficiency.

The chapter is made up of three sections. A model of business knowledge is presented first, which shows which parts of knowledge are easy, and which ones are difficult to transfer. An analysis of the survey data follows in the next section, pointing out the key correlation relationships among business knowledge parts and international activities. Finally, the conclusion sections points out the main lessons to be learnt from the analysis.

6.2. LITERATURE REVIEW

A Two-Dimensional Model of Business Knowledge

As John Naisbitt wrote in 1982 in his famous book, *Megatrends*: 'We are drowning in information, but starved for knowledge'. The dual nature of knowledge and information is clearly shown by this quote, and this duality affects the transferability of knowledge quite significantly. Statistical data, for example, are quite easy to transfer. It can be made available online, in easy to process format, but in order to make profitable decisions based on it, one has to be able to understand the pattern behind raw data, which can be rather difficult and time consuming. On the other

hand, if one possesses adequate data processing skills that make it possible to crunch big chunks of data, the previous problem can be solved within hours, however if that knowledge is not available inside the company, the transfer (learning) can take years. The tacit or explicit nature of knowledge is one dimension along which different elements of it can be sorted.

Some elements of knowledge may only be valuable within a certain firm or industry (e.g. experience on whom you have to contact to successfully push through a cost cutting plan; who are the most valuable partners in a given sector). Others can be widely used across many firms and industries (e.g. knowledge on how to avoid taxes through offshoring). The codified/uncodified nature of knowledge is the other dimension that greatly influences the success rate of knowledge transfers. Our model incorporates these two dimensions into the analysis.

Literature Review on Knowledge Elements

Polanyi (1966) was the first one to distinguished tacit and explicit knowledge. Knowledge can be publicly available and private at the same time. It is this duality of knowledge that is reflected in the different categories of Polanyi. A smaller part of our knowledge is public and for that reason explicit, consisting of factual knowledge and knowledge of rules and regulations. Tacit knowledge on the other hand forms the basis of all our explicit one, it can be regarded as tool that helps us in acquiring and creating new knowledge. Usually we would not even call it knowledge, and use expressions like intuition, logic, associative skills, experience, traditions or apprehension instead. These are the skills that are used to identify and understand new knowledge, and help us integrating into the community.

One of the first attempts at the classification of business knowledge (knowledge relevant for companies) was done by Lundvall. He set up four categories (Lundvall & Johnson, 1994):

- Know what: it basically is equal to information. It comprises of knowledge that is easily recorded and stored in forms of bits.
- Know why: includes the knowledge of scientific rules.
- Know how: it comprises skills and experiences that help the solving of certain problems. Know how usually is acquired when doing things. Because of that we tend to think that know how is rather a practical than a theoretical category, but this is far from the truth. We not only need know how to carry out practical tasks, but theoreticians also heavily rely on it. It was Polanyi (1966) who pointed out that the mind schemes used to help in understanding complicated situations, are key to theoreticians as well.
- Know who: consists of information and experience about who knows things about certain problems. As organisations become more and more complicated,

coordination becomes more and more important. When we have to coordinate in a large organisation, know who is of key importance.

This classification is quite similar to Polanyi's. The first two, know what and know why can be called explicit knowledge, while the second two, know how and know who are tacit knowledge.

The market value and the book value of public companies often is very different, with the market value being a lot higher than the book value. It was pointed out long ago that the difference is largely thanks to the accumulation of intangible assets. The intangible part is called goodwill, the intellectual value of business. Opinions differ on what exact types of intangible assets does goodwill comprise of. Sveiby (1997) attempts to detect the intangible assets of the company, and distinguishes among three types of so called invisible assets: external structure, internal structure and competence.

Sveiby's classification was driven by the will to separate intangible assets linked to individuals from the ones linked to the organisation. Personal knowledge is shown by the competencies of the employees, structural knowledge on the other hand by the inside and outside structure. The competencies of the employees mean the ability of employees to create physical and intellectual value. Into the inside structure category fall the patents, theories, models, IT and administration systems either created by the company or purchased by it, and also the corporate culture, and the organisational atmosphere. All the links formed with clients and sellers, are part of the outside structure, and also the signs that help distinguishing the company and its products from the competitors: trade marks and corporate image.

The idea behind Sveiby's three categories was used to formulate our own model, however the structure had to be rearranged and complemented with another dimension (complexity or the specific nature of knowledge) to better suit the purposes of our analysis. Specific nature means the rate at which the knowledge is linked to the organisation, and we consider a certain body of business knowledge more and more specific if it is linked more and more to the inside systems of the organisation. Specific business knowledge is deeply coded in the routines of the organisation, and without knowing these routines it is impossible to interpret it. We can also distinguish between specific knowledge coded into employees (Starbuck 1992) and organisational routines (March & Levitt, 1988). While in case of availability we have explicit and tacit on the two ends of the scale, in case of specific nature we can talk about codified and non-codified knowledge. The latter is also in line with Kuwada's typology of corporate strategic knowledge (Kuwada & Asaba, 1989), separating corporate level knowledge from industry level knowledge.

The Dual Knowledge Model

The model presented here was first suggested in 2006 (Bartha, 2006), and made available in English in 2011. Most of this section follows the ideas put forward in Bartha (2011). The dual typology makes it possible to separate individual-bound knowledge from explicit one, and also corporate-bound knowledge from more general one, that can be easily interpreted in all circumstances. So the specific and tacit part of business knowledge is very sticky, it is difficult to copy or transfer, while the explicit-non-specific part of business knowledge can get easily out of control.

We now proceed by discussing all five elements in Figure 6.1 one by one, and we also list the questions posed in our survey that may be used as a proxy to measure them.

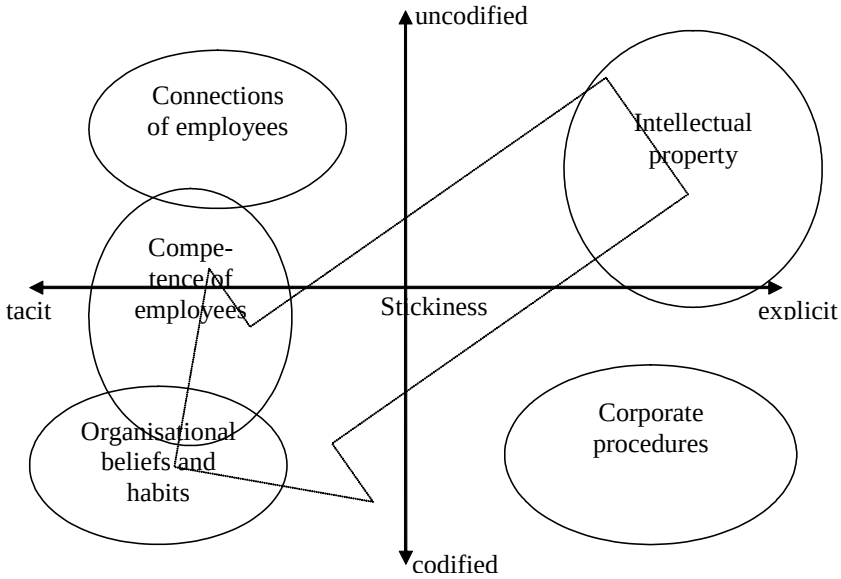

Figure 6.1. The dual or two-dimensional knowledge model
Source: (Bartha, 2011, p. 4.4).

Competence of Employees

The first category of Sveiby, the competency of employees is directly transferred to our model. But we will not only include the competency of employees into this category, but also those of the entrepreneur or owner-manager. This first group of business knowledge therefore reflects the ability of people to create new physical or intellectual value through interactions. What abilities are we talking about?

The know what and know why of all the employees, the experience and logical models applied by them.

While the competency of employees is evidently tacit, the specific nature of it is unclear. Some elements are non-specific, like know what or know why. Other elements however are highly codified, they cannot be learnt in school (unlike the previous, non-specific parts), and can only be acquired and increased after joining the company.

Organisational Beliefs and Habits

The competency of employees is a unanimous category because the organisational beliefs and habits integrate the employees working on the managerial level with the ones working lower down the organisational hierarchy. These beliefs and habits are integrated into the minds of the employees, and so they contribute to the efficient cooperation. The organisational beliefs and habits form the common knowledge of all of the employees, so they are the common knowledge of the whole organisation. As a result they are tacit and specific in nature. They can only be learnt after joining the organisation, and when an employee changes a job, loses this part of his business knowledge.

Connections of Employees

The cooperation among parties taking part in the creation and diffusion of knowledge is crucial for success. Those who have a lot of friends, and know a lot of people who are willing to help them, can learn faster, and so they can solve problems at a quicker pace. That is why the know who of individuals is part of business knowledge, and it will be called the connections of employees. The basis of the connections of employees is trust, the belief in the fact that the help given will result in help received when needed. The trust is linked to persons, so it is tacit, but it is mostly unrelated to organisations, so it is non-specific. Its value is not decreased if someone leaves an organisation, and is not necessarily increased when joining a new firm.

Corporate Procedures

Most of the explicit knowledge that is possessed by the company at a given time was created by the tacit knowledge of the company. A smaller part comes for procurements, or some other forms of non-commercial transfer. Obviously there are some companies which get most of their explicit knowledge from transfers (like franchise firms, for example), but they cannot be called typical for an average company. The explicit knowledge base of the enterprise can be divided into two main categories. The factor of division is whether the explicit knowledge can be

patented or not, more precisely whether there is any reason to patent the knowledge. Patented explicit business knowledge can be regarded as a product as well, the commercial transfer of it is more or less possible. Those elements of business knowledge that cannot be patented (or for some practical reasons there is not much point is patenting them) on the other hand, embody the most quickly evaporating resources of the company. As they were already recorded, there are low cognitive barriers during the learning process, so the competitors can copy them with relative ease. These unpatented explicit elements of business knowledge are called corporate procedures.

Despite the above statements corporate procedures have elements that are relatively difficult to copy. The reason for that is the fact that many of these procedures are highly codified. Many elements of the corporate procedures are only efficient if some other conditions also apply, like a certain type of corporate culture, organisational hierarchy etc. These bodies of knowledge are not patented, still, the fact that they are hard coded into the organisation, makes it difficult for other companies to mimic and copy them.

Intellectual Property

All other parts of explicit knowledge that are patented fall into the category of intellectual property. These bodies of business knowledge are very general, and the least coded into the organisational specifications. The two main subcategories here are patents coding technological instructions and copyrights protecting the intellectual property of individuals. Patents usually represent a high value for corporations, copyrights on the other hand only if the copyrighted material is relevant to the main profile of the company.

The Role of Knowledge in Internationalisation

Besides geographic distance other dimensions like cultural differences, language barriers, differences in educational and political systems (Johanson & Wiedersheim-Paul, 2006) has to be overcome during the internationalisation process.

Different internationalisation theories emphasise different knowledge elements in the process, but there's no consensus which of them are crucial (Daszkiewicz & Wach, 2012, pp. 100-102; Wach, 2014c, pp. 14-17).

One group of models emphasize the gradualism in the internationalisation process. This perspective is included in the Uppsala model (Johanson & Vahlne, 1977, 1990) according to which the engagement in international activities evolves gradually. In the first stage, when a company has insufficient knowledge of the market and the partners operating in it, it chooses a simple form of appearance in the

market (for example, export). Later, due to its accumulated experience, the company transforms in a more complex form (for example, sets up a subsidiary).

In this model knowledge is based on previous experience, obtaining it in a learning-by-doing process. As a result this knowledge is embedded in individuals. According to the model as the employees' knowledge increases, their international involvement of the company increases as well.

Knowledge can be embedded not only in individuals, but also in teams and company organisations. Organizational learning is viewed as routine-based, history-dependent, and target-oriented (March & Levitt, 1988).

The export development models, such as the Reid export behaviour model (Reid, 1981), also emphasize the gradual character of the company's internationalisation process. However, they primarily analyse decision-making processes in terms of export activities and main factors related to this. This model pays far more attention to individual characteristics and how these influence export behaviour.

In the 1990s a new group of companies emerged, which rapidly broke into international markets (born-global enterprises). Their common characteristics are that the entrepreneur has a strong international entrepreneurial orientation, he is proactive and aggressive during the internationalisation (Cavusgil & Knight, 2009).

There is a general consensus that apart from personal experience and professional knowledge of company managers, social and economic networks created around companies also play a key role in decision-making processes. Network theory (Johanson & Mattsson, 1987) highlights the firm's business context as a crucial factor in companies operation. It emphasizes the role of long term relationships and the role of the individual's personal networks in firms' successful operation.

6.3. MATERIAL AND METHODS: MEASURING BUSINESS KNOWLEDGE

The data was obtained from an empirical research conducted within the framework of the Visegrad Fund project "Patterns of business internationalization in Visegrad countries – in search for regional specifics" (StG-21310034) conducted in four countries (Czech Republic, Hungary, Poland, Slovakia) by five universities and coordinated by Cracow University of Economics[1] (Gubik & Karajz, 2014; Wach, 2014a; Daszkiewicz & Wach, 2014; Duréndez & Wach, 2014; Gubik & Wach, 2014). The questionnaire was available online (Wach 2014b)[2].

[1] More details on the research project at: http://www.visegrad.uek.krakow.pl/

[2] The online survey has been available in four languages at: http://www.visegrad.uek.krakow.pl/survey

The sample does not represent Hungarian companies since this was not the purpose of the data collection. A sample with the same ratio of different company size groups would have encompassed mainly micro-sized enterprises, which were less active internationally and would have been less suitable for achieving the goals of the research. The purpose of this survey was to include the same amount of companies of different sizes in the research, that's why large and internationally active companies are over-represented in the sample. When evaluating the results of this paper this fact has to be considered because it may affect the generalizability and applicability of the results. Company size is especially important, because the larger the firm, the higher the chance that it uses some sort of business information system (Sasvari, 2012), and such systems can form the backbone of the corporate-level business knowledge.

Sample Characteristics

As for company size, approximately 26% of companies were micro-sized enterprises, 30% were small-sized enterprises, 21% were middle-sized companies and 23% were large companies. The respondents employed about 287 workers on average and in total the number of employed amounted to 30,000 people.

Most companies were founded after 1990, less than 15% had a longer lifespan than 25 years. Only 27 companies reported that the business was a family business. According to our definition they are firms that are solely (or dominantly) owned by the same family, employ family members or are active in supporting the business processes of the family members.

In our database 87 companies are owned by Hungarian investors and 8 companies are in foreign ownership with 100% share. There are only 3 companies in the sample with foreign ownership below 50%, and 5 with more than 50%.

As for the business activities of the surveyed companies, almost half of them are industrial companies (49%), 35% are service providers, 14% are trade companies and 2% are involved in agricultural activities. Within the industrial firms, construction and manufacturing were the most often mentioned economic activities. Besides them companies with professional, scientific and technical activities and information and communication technology firms are also above the average.

Questions Used to Assess The Business Knowledge of Firms

The proxy variables used to measure the five elements of business knowledge come from the IVF survey conducted during 2014. Some of these knowledge elements will only be measured by one variable, while a combination of two or more variables is used two operationalize others. Table 6.1 summarises the proxies of our analysis.

In case of the competence of employees we rely on the answers given to the following three questions:

1. Evaluate the internal resources of your firm for the internationalization process, please. Human resources for internationalization (e.g. staff members fluent in foreign languages, experienced with foreign markets and different cultures)
2. Evaluate the attitude of the owner/entrepreneur/manager of your firm for the internationalization process, please. Experience on international markets
3. Evaluate the attitude of the owner/entrepreneur/manager of your firm for the internationalization process, please. Professional business experience in general

Table 6.1. Proxies used to measure the five elements of business knowledge

Business knowledge element	Proxy	Measurement method
Competence of employees	1. Human resources for internationalization 2. Experience on international markets 3. Professional business experience in general	1-5 Likert scale
Organisational beliefs and habits	1. Motivation to go international 2. Cosmopolitism and international openness	1-5 Likert scale
Connections of employees	Cooperation methods	Multiple choice question
Corporate procedures	1. Planned strategy 2. Knowledge on international markets	Multiple choice question 1-5 Likert scale
Intellectual property	Innovations implemented	Multiple choice question

Source: own elaboration.

Organisational beliefs and habits are measured using the answers given to questions:

1. Evaluate the attitude of the owner/entrepreneur/manager of your firm for the internationalization process, please. Motivation to go international
2. Evaluate the attitude of the owner/entrepreneur/manager of your firm for the internationalization process, please. Cosmopolitism and international openness.

The following question measured the connections of employees:

> While going international, do you operate in any formal or at least informal networks? (we do not cooperate in any international and/or national networks for internationalization / we operate in at least one informal network, which helps us in the internationalization process / we operate in at least one formal network, which helps us in the internationalization process)

For the measurement of corporate procedures two questions were used:

1. Do you have a planned strategy for internationalization of your firm? (no / partially, but the strategy is not formalised / yes, we have the international strategy).
2. Evaluate the attitude of the owner/entrepreneur/manager of your firm for the internationalization process, please. Knowledge on international markets.

Finally, the intellectual property of firms was evaluated with this question:
Has your firms implemented any innovation for the last 3 years (yes/no)? If yes, what type of innovation was it and what was the scope of innovation?

6.4. RESULTS AND DISCUSSION

Appearance in International Markets

The relationship between each individual proxy variable and the international activity of firms was tested. The question related to measuring international appearance was the following: Does your firm run any international activities, at least importing from other countries? Table 6.2 shows the result of the analysis. The survey shows that the decision of the firms about internationalisation depends on three knowledge elements, which are as follows: employees' competence, organisational beliefs and habits, and the intellectual property. Except for the

Table 6.2. Decisive factors of going international

Business knowledge element	Proxy	Cramer V	Sig.
Competence of employees	Human resources for internationalization	.519	.000
	Experience on international markets	.419	.002
	Professional business experience in general	.356	.013
Organisational beliefs and habits	Motivation to go international	.544	.000
	Cosmopolitism and international openness	.576	.000
Connections of employees	While going international, do you operate in any formal or at least informal networks?	.	.
Corporate procedures	Do you have a planned strategy for internationalization of your firm?	.	.
	Knowledge on international markets	.380	.006
Intellectual property	Has your firms implemented any innovation for the last 3 years?	.235	.017

--- No statistics are computed because Does your firm run any international activities, at least importing from other countries? is a constant.
Source: own elaboration based on the V4 survey results of 2014 (n =104).

implemented innovation variable, where there was only a weak correlation, the relationships between the analysed variables were moderate or strong. The variables for connections of employees and partly for the corporate procedures cannot be computed here.

The strongest relationship can be experienced in case of Cosmopolitism and international openness (Cramer V=0.573) and Motivation to go international (Cramer V=0.544). Both of them are parts of organisational beliefs and habits.
Figure 6.2 shows the differences in average values of the proxy variables according to the international activity of companies.

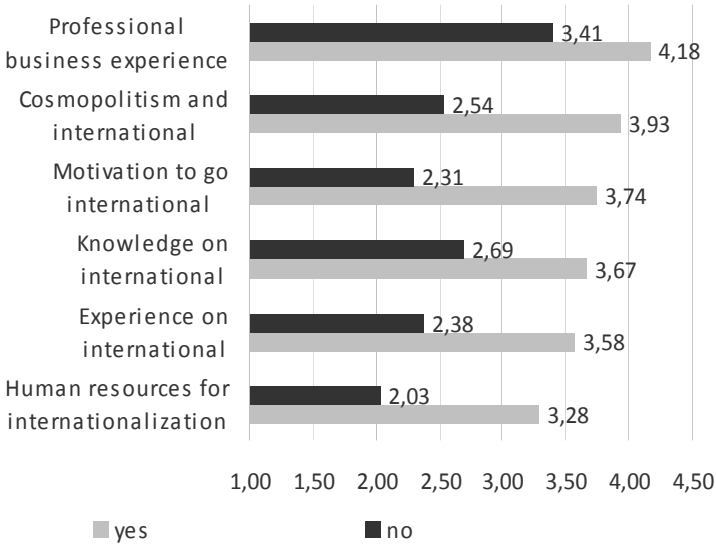

Figure 6.2. Does your firm run any international activities, at least importing from other countries?
Source: own elaboration based on the V4 survey results of 2014 (n = 104).

Since the variables also show a significant correlation with each other, it is hard to determine their real effect on the decision. In order to avoid this, a regression analysis was applied. The dependent variable is measured on a dichotomous scale (with yes and no answers), that is why binomial logistic regression was applied. All the variables in the Table 6.2 were independent variables in this model.

Table 6.3. Variables in the Equation

Variables		B	S.E.	Wald	df	Sig.	Exp(B)
Step 1[a]	Cosmopolitism and international openness	1.049	.246	18.125	1	.000	2.855
	Constant	-2.403	.798	9.060	1	.003	.090
Step 2[b]	Human resources for internationalization	.522	.265	3.882	1	.049	1.686
	Cosmopolitism and international openness	.820	.270	9.225	1	.002	2.271
	Constant	-3.044	.894	11.587	1	.001	.048

Source: own elaboration based on the V4 survey results of 2014 (n = 104).

Although the explanatory power of the model was 37.7 percent (Nagelkerke R^2=0.377), only two variables entered the model (with forward method): the Human resources for internationalization and the Cosmopolitism and international openness. The first variable was the competence of employees, the second one was organisational beliefs and habits.

Table 6.4. Classification Table[a]

				Predicted		
				Does your firm run any international activities?		Percentage Correct
				no	yes	
Observed	Step 1	Does your firm run any international activities?	no	13	13	50.0
			yes	5	67	93.1
		Overall Percentage				81,6
	Step 2	Does your firm run any international activities?	no	15	11	57.7
			yes	6	66	91.7
		Overall Percentage				82.7

[a]The cut value is .500.

Source: own elaboration based on the V4 survey results of 2014 (n = 104).

Based on the analysis presented in Table 6.4 the overall predictive power of our model is 87.2%, although in case of no answers (Does your firm run any international activities?) it drops to 57.7%.

This model suggests that when a company intended to go international, the staff members' knowledge and experience (e.g. staff members were fluent in foreign languages, had experience in foreign markets and different cultures) although a basic requirement, it was not sufficient. The openness of entrepreneurs to internationalisation was also essential. That is why, emphases should be laid not only on improving the provision of the financial support, but on promoting entrepreneurs' openness to internationalisation as well, so that they will be able to appear and operate successfully in international markets.

Intensity of Internationalisation

A considerable proportion of companies are engaged in more than one international activity. An intensity indicator has been elaborated to measure internationalisation (Gubik, Karajz, 2014). It indicates how many possible foreign market entry modes a company has utilised during its international activities. The indicator ranges from 0 to 1, where 0 means that the company does not conduct activities in international markets and 1 means engagement in all activity types (import, direct export, indirect export, cooperative export, contractual modes and investment).

There are divergences in terms of size and activity areas of the companies. It is obvious, that the more resources are available, the more intensive internationalisation is. Beyond that, growing size of companies is closely correlated to the increase in motivation, knowledge and experience related to internationalisation. Beside the physical resources the importance of human resources like the employees' appropriate foreign language knowledge and experience in foreign market (Hitt *et al.*, 2006) and experiential knowledge (Barkema *et al.*, 1996; Erramilli, 1991) is also indisputable.

Table 6.5. Decisive factors of intensity

Category	Criterium	Spearman's Rho[3]	Sig.
Competence of employees	Human resources for internationalization	.519	.000
	Experience on international markets	.419	.000
	Professional business experience in general	.356	.001
Organisational beliefs and habits	Motivation to go international	.544	.000
	Cosmopolitism and international openness	.573	.000
Connections of employees	While going international, do you operate in any formal or at least informal networks?	.266*	.085
Corporate procedures	Knowledge of international markets	.421	.000
	Do you have a planned strategy for internationalization of your firm?	.407*	.002
Intellectual property	Has your firms implemented any innovation for the last 3 years?	.155*	.116

*In case of these variables Eta was calculated.

Source: own elaboration based on the V4 survey results of 2014 (n = 104).

The responses showed that all variables of competencies of employees, organisational beliefs and habits and corporate procedures correlate with the intensity indicator. Here again, the relationship between the variables of organisational beliefs and habits knowledge element (Motivation to go international, Cosmopolitism and

[3] As the precise measurement of these variables is not possible, an attitude scale was used, and so only rank correlation can be used (Varga & Szilagyi, 2011).

International openness) was the strongest. Table 6.5 shows the strength of the relationships and the significance levels.

As for intensity, both financial recourses and attitudes toward internationalisation seem to be important determinants. Similar to the decision about going international, the knowledge elements, which are deeply embedded into the firms' habits, are also of determining importance.

If subjective matters affecting internationalisation are taken into account and the support apart from the financial ones (coaching, consulting, etc.) is provided to promote internationalisation, companies are likely to take a more active part in different support programs.

6.5. CONCLUSIONS

Knowledge Elements Important for Internationalisation

The strongest relationship between internationalisation and the different elements of business knowledge was identified in the area of organisational beliefs and habits. It was closely followed by the competence of employees, while some significant relationships were detected in case of intellectual property and corporate procedures. The connections of employees had no significant effect on the internationalisation process in our sample (see Table 6.6).

Table 6.6. Relevant knowledge elements based on our sample

Feature	Competence of employees	Organisational beliefs and habits	Connections of employees	Corporate procedures	Intellectual property
International activities	++	+++	x	+	+
Intensity of internationalisation	++	+++	x	++	x

+: significant relationship (weak+; moderate++; strong+++), x: no significant relationship.
Source: own elaboration based on the V4 survey results of 2014 (n = 104).

One of the striking features of our findings is that easily transferable business knowledge elements (explicit and uncodified ones) have little effect on internationalisation. Intellectual property, which is both explicit and uncodified, therefore the easiest to transfer, has a weak influence on the international activity of the firm. Corporate procedures on the other hand, an explicit but highly codified knowledge element, moderately affect the intensity of internationalisation.

Yet, most of the government sponsored services provide knowledge on these, easier to transfer areas. They offer market information, they try to teach young

entrepreneurs how to prepare a formal strategy for the internationalisation process. They also provide information on the red tape barriers related to internationalisation.

Based on the findings above, such support is of no real help to firms looking to go international. More than that, the success would be questionable even if the government wanted to restructure its instruments, and focus on tacit and codified elements, because they are way more difficult, and very time consuming to transfer. Organisational beliefs and habits, the knowledge element most strongly associated with internationalisation are exactly like that: tacit and codified in the same time. They are determined inside the firm, dependent on the corporate culture, and so they can barely be transferred outside.

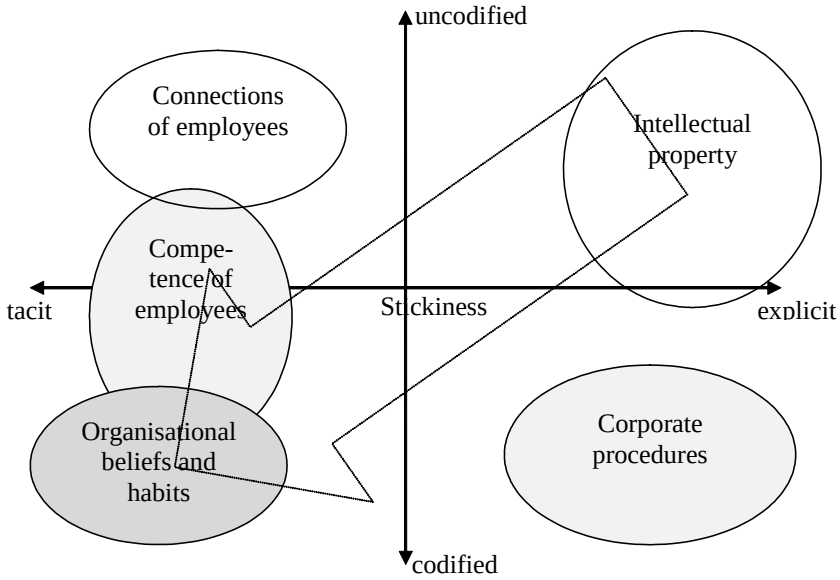

Figure 6.3. Relevant elements from the dual model
Source: own elaboration based on Bartha, 2011.

One of the most common ways of transferring such sticky knowledge components is through formal and informal meetings, conversations. Meetings for exchanging experience among entrepreneurs, government institutions and researchers are not uncommon. Some government agencies regularly organise such conferences and gatherings. The other striking feature of our findings however is that connections which may easily be established at such meetings are in no significant relationship with the internationalisation process what so ever.

It has to be mentioned that the sample on which our findings are based is rather small (n = 104), and it is not representative. One has to be very cautious therefore

when interpreting the results, and further research on a larger and more representative sample is definitely needed before policy recommendations are established.

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